

CoCa Mines Inc.

Notes to Pro-Forma Balance Sheet as of September 30, 1980

(Unaudited)

1. The Pro-Forma Balance Sheet reflects the following transactions: (1) the exchange of substantially all of the assets and liabilities of Congdon and Carey, Ltd. No. 4 for common stock and promissory notes of CoCa Mines Inc. with the acquisition of such assets of CoCa Mines Inc. being recorded at historical cost as the transactions represent a change in the form of organization; (2) the acquisition of 60,000 shares of Equity Silver Mines Limited from several individuals in exchange for common stock of CoCa Mines Inc. (such stock was recorded at its estimated fair value based upon the current price of the common stock of Equity Silver Mines Limited and discounted for blockage); (3) estimated results of operations of Congdon and Carey, Ltd. No. 4 from July 1, 1980 through September 30, 1980, the closing date of the offering.
2. The adjustments to reflect the above are as follows:
 - (A) Notes issued to partners of Congdon and Carey, Ltd. No. 4 for the recoupment of costs and expenses relating to the Sam Goosly and Candelaria projects.
 - (B) Contemplated acquisition of 60,000 shares of Equity Silver Mines Limited in exchange for 25,550 shares of CoCa Mines Inc. This acquisition would be recorded at the fair value of the Equity Silver Mines Limited shares received.
 - (C) Assumes interest-free loan of \$50,000 to Mr. Hugh J. Matheson (President and Chief Executive Officer of the Company, effective August 15, 1980). Also, estimated general and administrative expenses for three months of \$50,000. Funds to be provided by short-term bank loans.
 - (D) Balance of equity transferred to CoCa Mines Inc. Reflects issuance of 1,064,270 shares of CoCa Mines Inc. for the net assets of Congdon and Carey, Ltd. No. 4.

CONFLICTS OF INTEREST

The organization and operation of CoCa involve a number of possible conflicts of interest. These conflicts arise out of the following facts.

1. Although CoCa may legally engage in any business, it is the present intention of CoCa's management to limit its activities to the acquisition, exploration, development, operation, investment in and disposition of properties containing precious metals and other non-energy minerals as well as investment in securities of mineral-related corporations. Thomas E. Congdon and William J. Carey are principal shareholders of CoCa and are members and Chairman and Vice Chairman, respectively, of its Board of Directors.

2. Messrs. Congdon and Carey are also engaged in the same business as CoCa through a general partnership of which they are the principal partners known as "Congdon and Carey." The activities of Congdon and Carey are limited to evaluating and exploring specific prospects formulated by Dolf W. Fieldman, its consulting geologist, or by his successor upon his retirement. Mr. Fieldman will also be a member of the CoCa Board of Directors and through Congdon and Carey will provide consulting geological services to CoCa.

3. Messrs. Congdon and Carey are general partners of three other limited partnerships which hold non-energy mineral interests - Congdon and Carey, Ltd. No. 3 ("C and C3"), Congdon and Carey, Ltd. 5 ("C and C5") and Congdon and Carey Round Mountain Project Ltd. ("Round Mountain"). The

present activities of those partnerships are limited to the ownership of the several properties they now hold. C and C5's principal property is being developed under an agreement with a major mining company which is not expected to result in cash flow to C and C5 for at least four years. Negotiations are underway for the possible development of C and C5's other property and for Round Mountain's property. No activities are presently occurring with respect to the property of C and C3.

4. Mr. Congdon is a shareholder, member of the Board of Directors and President and Chief Executive Officer of St. Mary Parish Land Company, a Delaware corporation ("St. Mary"). St. Mary is engaged principally in the oil and gas and real estate businesses but has from time to time acquired non-energy mineral interests.

It is believed that the conflicts of interest which may be represented by the foregoing entities and relationships will be mitigated by the following arrangements which will be in effect:

A. Beginning at such time as CoCa first has cash flow from its assets (expected to be approximately the first calendar quarter of 1981) and in consideration for the option hereinafter described, CoCa will pay to Congdon and Carey the expenses incurred by Congdon and Carey in employing Mr. Fieldman, including his consulting fees and related overhead. These expenses are estimated at \$60,000 for the initial 12-month period. Additionally, beginning at such time, CoCa will have the option of paying one-half of all

exploration expenditures incurred in connection with mineral prospects thereafter formulated by Mr. Fieldman, provided that Congdon and Carey also pays one-half of such exploration expenditures. So long as CoCa and Congdon and Carey each contribute one-half of the exploration expenditures, each will be entitled to a one-half working interest in such prospects, subject to a carried working interest after payout to be held by Mr. Fieldman and to be borne equally by CoCa and Congdon and Carey. Should at any time either CoCa or Congdon and Carey wish to elect to cease paying its share of such exploration expenditures for any prospect, the other may elect to pay such additional share of such expenditures in which case the nonpaying entity's working interest in such prospect shall be reduced by the proportion the unpaid expenditures bear to the sum of the paid expenditures of both entities.

B. If CoCa has paid its one-half share of exploration expenditures incurred for a prospect formulated by Mr. Fieldman, it will have a first right to purchase the one-half working interest of Congdon and Carey and the Fieldman carried interest in such prospect upon the same terms and conditions as proposed to be offered by Congdon and Carey to a third party at such time as Congdon and Carey proposes to dispose of its interest in such prospect. In order to enhance the independence of CoCa's judgments in determining whether or not to contribute one-half of exploration costs with respect to a prospect formulated by Mr. Fieldman or to exercise its first right to purchase Congdon and

Carey's and Mr. Fieldman's share of such prospect, a majority of the members of the Board of Directors of CoCa are or will be persons other than Messrs. Congdon, Carey and Fieldman or their affiliates.

C. At such time as C and C3, C and C5 or Round Mountain are financially able to consider the acquisition of mineral interests in addition to those presently owned by them, Messrs. Congdon and Carey will cease to be general partners of those partnerships and persons independent of them will become general partners. If those partnerships are then incorporated, a majority of the members of their Boards of Directors will also be independent of Messrs. Congdon, Carey and Fieldman. It is also possible, but not specifically contemplated, that the assets of some or all of those partnerships may at some point in time be acquired by CoCa. Any arrangement which may later exist between Congdon and Carey and C and C3, C and C5 or Round Mountain, or their corporate successors, will not affect the rights of CoCa with respect to its arrangement with Congdon and Carey described above.

D. The Board of Directors of St. Mary has adopted a resolution limiting the present natural resource activities of that corporation to the oil, gas, coal and other energy related minerals business and CoCa and Congdon and Carey have resolved presently to exclude that business from their activities. Thus, St. Mary on the one hand and CoCa and Congdon and Carey on the other will not, at least

initially, be competing in the acquisition and ownership of precious metals and other non-energy related minerals interests.

In spite of the foregoing arrangements and restrictions, possible conflicts of interest will nonetheless remain among CoCa, Congdon and Carey, St. Mary, C and C3, C and C5, Round Mountain and Messrs. Congdon and Carey individually. Messrs. Congdon and Carey individually will be engaging in the minerals business through Congdon and Carey and yet at the same time are the principal but not the sole shareholders of CoCa and members of its Board of Directors. Messrs. Congdon and Carey are also the general partners and principal equity owners of C and C3, C and C5 and Round Mountain. Mr. Congdon is a shareholder, director and President and Chief Executive Officer of St. Mary. While Mr. Carey has no interest in St. Mary, Mr. Congdon and Mr. Carey, with respect to the other entities, have interests which differ in size in each entity. In view of these differences and resulting conflicting relationships, it may be difficult for Messrs. Congdon and Carey to avoid preferring the interests of one entity over another.

The foregoing conflicts have existed with respect to Messrs. Congdon and Carey, St. Mary, C and C3, C and C5, Round Mountain and Congon and Carey Ltd., No. 4 during past years. Messrs. Congdon and Carey have at all times endeavored to conduct their affairs in a fair and equitable manner so that such conflicts would not adversely affect any of such entities. To date to the best of their knowledge, none of such entities, or investors in them, have raised complaints